

DoD-IG Audit Reports Related To The Use of Multiple-Award Contracts



Robert Bender
Senior Auditor/Team Leader
Department of Defense Inspector General



■ *Prior DoD-IG Multiple Award and Federal Supply Schedule Audits Performed*

- Audit of DoD Use Of Multiple Award Task Order Contracts (Report No. 99-116), April 2, 1999
- Multiple Award Contracts For Services (Report No. D-2001-189), September 30, 2001
- Contract Actions Awarded To Small Businesses (Report No. D-2003-029), November 25, 2002
- Contracts Awarded by the Defense Threat Reduction Agency in Support of the Cooperative Threat Reduction Program (Draft Report D2003CF-0183), May 20, 2004



Findings

Audit of DoD Use Of Multiple Award Task Order Contracts (Report No. 99-116), April 2, 1999

Objective: The primary audit objective was to determine whether the use of multiple award task order contracts by DoD was consistent with statutory requirements and in the best interest of the Department. We also evaluated the management control programs as they applied to the objective.

Results: Delivery orders for product contracts were awarded competitively and to the low bidder for 78 percent of the delivery orders. However, DoD use of multiple award task order contracting for services was not consistent with the statutory requirements. The statutory requirements call for each contractor to be given the opportunity to be considered for all orders over \$2,500 awarded under the multiple award mechanism. DoD use of multiple award contracts did not take full advantage of the benefit of having multiple bidders. Specifically:

- Contracting officers awarded task orders without regard to price even though price was not a substantial factor in the selection of vendors for the initial multiple award contract. As a result, task orders were awarded to higher-priced contractors on 36 of 58 orders, and price was not a significant factor during the contracting process. We identified \$3 million in additional costs resulting from awarding orders to contractors with higher-priced bids (Finding A).
- Contracting officers directed work and issued orders on a sole-source basis for 66 of 124 task orders, valued at \$47.2 million, without providing the other contractors a fair opportunity to be considered. Only 8 of the 66 orders, valued at \$8.8 million, had valid justification for sole-source award. As a result, DoD did not achieve the full benefits associated with the multiple award mechanism (Finding B).



Findings (Continued)

Multiple Award Contracts For Services (Report No. D-2001-189), September 30, 2001

Objective: The specific objective was to review the multiple award contract data collected by the Under Secretary of Defense for Acquisition, Technology, and Logistics from the Military Departments and assess the progress being made in providing contractors a fair opportunity to be considered. We reviewed 423 multiple award task orders awarded in FYs 2000 and 2001.

Results: Contracting organizations continued to direct awards to selected sources without providing all multiple award contractors a fair opportunity to be considered. We found that 304 of 423 task orders (72 percent) were awarded on a sole-source or directed-source basis of which 264 were improperly supported. As a result, DoD was not obtaining the benefits of sustained competition and the reduced costs envisioned when Congress provided the authority for multiple award contracts. Only 119 of 423 task orders were competed and only 82 (69 percent) of these orders received multiple bids.



Findings (Continued)

Contract Actions Awarded To Small Businesses Report D-2003-029), November 25, 2002

Objective: We initiated this audit to determine whether contracting officials followed established procedures when awarding orders to small businesses using General Services Administration Federal Supply Schedules and whether contracting officials used appropriate market research. We reviewed 124 contract actions awarded at 16 contracting offices during FYs 2000 and 2001. Each of the actions was valued at more than \$0.5 million and collectively totaled \$891.5 million. Seventy-three of these actions, valued at \$254.4 million, were awarded to small businesses using General Services Administration Federal Supply Schedules. Fifty-one actions, valued at \$637.1 million, were awarded to small businesses either on a sole-source basis or by competition where only 1 proposal was received.

Results: Contracting officials did not make adequate efforts to use market research, competition, and the huge buying power of DoD as a basis for obtaining good prices. Contracting officials did not comply with the Federal Acquisition Regulation and the General Services Administration Special Ordering Procedures when awarding 71 of 73 orders using Federal Supply Schedules. The value of the 71 orders was \$249.3 million. Each of the 71 orders had 1 or more of the following problems:

- no request for discounts (45 of 64 orders, or 70 percent);
- inappropriate use of sole-source orders instead of seeking multiple sources (31 of 73 orders, or 42 percent); and
- inadequate review of labor hours, labor mixes, and labor rates (49 of 56 orders, or 88 percent).

As a result, there is no assurance that the Government paid fair and reasonable prices or obtained best value for the 71 Federal Supply Schedule orders. More specific guidance from the Under Secretary of Defense for Acquisition, Technology, and Logistics would increase the likelihood of DoD obtaining good pricing from orders issued using Federal Supply Schedules.

Contracting officials also did not effectively use market research techniques to obtain competition and better pricing for contracts awarded to small businesses in which Federal Supply Schedules were not used. For 17 of 51 contract actions reviewed, contracting officials made sole-source awards to small businesses without convincing sole-source justifications. The value of the 17 orders was \$131.6 million. Contracting officials also awarded 6 of the 51 contract actions on a competitive basis knowing that only 1 offeror was likely to submit a proposal. The value of the six contract actions was \$219.6 million. As a result, other eligible small businesses were not considered. Inadequate price reasonableness determinations were also made, and problems related to the use of the Truth in Negotiations Act continue to exist..



Findings (Continued)

Contracts Awarded by the Defense Threat Reduction Agency in Support of the Cooperative Threat Reduction Program (Draft Report Project No. D2003CF-0183)

Objective: The overall audit objective was to determine whether Defense Threat Reduction Agency contracting processes in support of the Cooperative Threat Reduction Program complied with applicable laws and regulations. Specifically, we determined whether contracts were awarded and managed to ensure the Government received best value in cost and contractor performance.

Results: The Defense Threat Reduction Agency has used the multiple-award process to efficiently streamline Cooperative Threat Reduction Program procurements. However, the Defense Threat Reduction Agency did not actively promote competition among the multiple-award contract awardees. The Federal Acquisition Regulation requires that when multiple award orders are awarded, contracting officials must give each contractor a fair opportunity to be considered for each order or cite an exception to fair opportunity. Instead, the Defense Threat Reduction Agency used a contractor down-select process* when issuing task orders for subsequent phases of multi-phased requirements that did not provide each contractor supporting the Cooperative Threat Reduction Program fair opportunity to be considered for the task orders and did not cite an exception to the fair opportunity requirement.



Contact Information

Terry L. McKinney, Program Director, Department of Defense, Inspector General, Contract Management Directorate (703) 604-9288 tmckinney@dodig.osd.mil

Timothy E. Moore, Project Manager, Department of Defense, Inspector General, Contract Management Directorate (703) 604-9282 tmoore@dodig.osd.mil

Robert E. Bender, Senior Auditor/Team Leader, Department of Defense, Inspector General, Contract Management Directorate (703) 604-9246 rbender@dodig.osd.mil